

The Honorable J. Dennis Hastert
Speaker
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

In accordance with section 2104(a)(1) of the Trade Act of 2002 (the Trade Act), and pursuant to authority delegated to me by the President, I am pleased to notify the Congress that the President intends to initiate negotiations for a free trade agreement (FTA) with the Kingdom of Bahrain. We expect these negotiations to get underway in January 2004, and we will be consulting closely with the Congress over the next 90 days regarding these negotiations, as required by the Trade Act.

An FTA with Bahrain will promote the President's initiative to advance economic reforms and openness in the Middle East and the Persian Gulf, moving us closer to the creation of a Middle East Free Trade Area. A U.S.-Bahrain FTA will build on the FTAs that we already have with Israel and Jordan, as well as the FTA that we are currently negotiating with Morocco. A comprehensive FTA will also provide an opportunity to work with Bahrain to encourage other members of the Gulf Cooperation Council to adopt high trade and investment standards.

Bahrain is an important strategic partner that is seeking to implement significant political and economic reforms—reforms that an FTA with the United States will support and accelerate. An FTA with Bahrain will boost U.S. trade and investment with other Gulf countries as well, facilitating greater regional economic integration and creating economic opportunities for people across the Middle East.

An FTA will directly benefit the United States, too. By reducing and eliminating barriers to trade, a comprehensive FTA with Bahrain will generate export opportunities for the United States, creating U.S. jobs and enhancing choice and value for American consumers.

Bahrain already provides an attractive market for U.S. products. In 2002, U.S. businesses exported \$419.2 million worth of aircraft, machinery, vehicles, pharmaceutical products, toys, games, sports equipment, and other goods. An FTA with Bahrain should benefit American manufacturers—as well as U.S. exports of meats and high-value processed agricultural products—by enhancing access to Bahrain's market and promoting Bahrain's role as a regional business hub for the Gulf.

An FTA will provide new export opportunities for U.S. services firms in sectors such as telecommunications, finance, distribution, energy, construction, engineering, health care, legal services, accountancy, tourism and travel, and environmental services. An FTA will also support Bahrain's commitment to transparency, openness, and the rule of law, thereby enhancing respect

for intellectual property, labor rights, and environmental protection.

This agreement will build on a strong foundation of economic cooperation. In 2001, the United States and Bahrain signed a bilateral investment treaty that provides assurances to investors from both countries that their property rights will be respected. Last year, Bahrain entered into a Trade and Investment Framework Agreement (TIFA) with the United States. Since signing its TIFA, Bahrain has demonstrated a serious commitment to open trade. It has pledged to treat agricultural biotechnology fairly, upgraded its laws to protect intellectual property, taken initial steps to join and implement the World Intellectual Property Organization (WIPO) Internet treaties, and provided an open environment for electronic commerce.

A U.S.-Bahrain FTA will help advance the sort of market-opening commitments that the United States is pursuing in global trade negotiations. Bahrain has already played a constructive role in services negotiations in the World Trade Organization by offering to improve its existing services commitments. Bahrain also recently joined the WTO Information Technology Agreement, committing it to free trade in computer, telecommunications, and related products.

Our initial consultations with the Congress, including with the Congressional Oversight Group on July 24, indicate broad bipartisan interest in an FTA with Bahrain. The Administration will continue to work closely with the Congress once the negotiations get underway, including through the consultation, notification, and reporting procedures in the Trade Act. Moreover, to ensure that interested stakeholders are informed and have ample opportunity to provide their views, the Administration will conduct the negotiations in a transparent and accessible manner.

The specific objectives for negotiations with Bahrain are as follows:

- *Trade in Goods:*
 - Seek to eliminate tariffs and other duties and charges on trade between Bahrain and the United States on the broadest possible basis, subject to reasonable adjustment periods for import-sensitive products.
 - Seek to eliminate Bahrain's non-tariff barriers to U.S. exports.
 - Seek to eliminate practices by Bahrain that adversely affect U.S. exports of agricultural products, such as unjustified shelf-life requirements and unnecessary labeling regulations.
 - Pursue fully reciprocal access to Bahrain's market for U.S. textile and apparel products.
- *Customs Matters, Rules of Origin, and Enforcement Cooperation:*
 - Seek rules to require that Bahrain's customs operations are conducted with

transparency, efficiency, and predictability, and that customs laws, regulations, decisions, and rulings are not applied in a manner that would create unwarranted procedural obstacles to international trade. Seek rules of origin, procedures for applying these rules, and provisions to address circumvention matters that will ensure that preferential duty rates under an FTA with Bahrain apply only to goods eligible to receive such treatment, without creating unnecessary obstacles to trade.

- Seek terms for cooperative efforts with Bahrain regarding enforcement of customs and related issues, including trade in textiles and apparel.
- *Sanitary and Phytosanitary (SPS) Measures:*
 - Seek to have Bahrain affirm its WTO commitments on SPS measures and eliminate any unjustified SPS restrictions.
 - Seek to ensure that Bahrain's policies regarding agricultural biotechnology products and food safety standards are science-based and do not create unjustifiable barriers to trade.
 - Seek to strengthen collaboration with Bahrain on implementing the WTO SPS Agreement and to enhance cooperation with Bahrain in relevant international bodies on developing international SPS standards, guidelines, and recommendations.
- *Technical Barriers to Trade (TBT):*
 - Seek to have Bahrain reaffirm its WTO TBT commitments, including those relating to labeling requirements on U.S. food and agricultural products produced through biotechnology, and help ensure that Bahrain's technical regulations, standards, and conformity assessment procedures do not serve as an unnecessary impediment to trade.
 - Seek to strengthen collaboration with Bahrain on implementation of the WTO TBT Agreement and create a procedure for exchanging information with Bahrain on TBT-related issues.
- *Intellectual Property Rights:*
 - Seek to establish standards to be applied in Bahrain that build on the foundations established in the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement) and other international intellectual property agreements, such as the WIPO Copyright Treaty, the WIPO Performances and Phonograms Treaty, and the Patent Cooperation Treaty.

- In areas such as patent protection and protection of undisclosed information, seek to have Bahrain apply levels of protection and practices in line with U.S. law and practices, including appropriate flexibility.
 - Seek to strengthen Bahrain's procedures to enforce intellectual property rights, such as by ensuring that Bahraini authorities seize suspected pirated and counterfeit goods, equipment used to make such goods or to transmit pirated goods, and documentary evidence.
 - Seek to strengthen measures in Bahrain that provide for compensation of rights holders for infringements of intellectual property rights and to provide for criminal penalties under Bahrain's laws that are sufficient to have a deterrent effect on piracy and counterfeiting.
- *Trade in Services:*
 - Pursue disciplines to address discriminatory and other barriers to trade in Bahrain's services market. Pursue a comprehensive approach to market access, including any necessary improvements in access to the financial services, telecommunications, and distribution sectors, while permitting each government to address domestic sensitivities.
 - Seek improved transparency and predictability of Bahrain's regulatory procedures, specialized disciplines for financial services, and additional disciplines for telecommunication services and other sectors as necessary.
 - In parallel with the FTA negotiations, work with Bahrain in its efforts to make commitments in the WTO on access to its market for basic telecommunications services.
 - *Investment:*
 - Since the United States and Bahrain have a bilateral investment treaty in effect, we do not currently expect areas covered by that treaty to be part of the FTA negotiations. However, we will seek to improve the investment climate for U.S. companies in Bahrain by pursuing commitments from Bahrain in related areas, such as those governing regulatory transparency, services, and intellectual property rights.
 - In the event it is determined that U.S. interests would be better served by negotiating investment provisions in the FTA, we will:
 - Seek to establish rules that reduce or eliminate artificial or trade-distorting barriers to U.S. investment in Bahrain, while ensuring that Bahraini investors in the United States are not accorded greater substantive rights

with respect to investment protections than U.S. investors in the United States, and to secure for U.S. investors in Bahrain important rights comparable to those that would be available under U.S. legal principles and practice.

- Seek to ensure that U.S. investors receive treatment as favorable as that accorded to domestic or other foreign investors in Bahrain and to address unjustified barriers to the establishment and operation of U.S. investments in Bahrain. Provide procedures to resolve disputes between U.S. investors and Bahrain that are in keeping with the trade promotion authority goals of being expeditious, fair, and transparent.

- *Electronic Commerce:*

- Seek to affirm that Bahrain will allow products and services to be delivered electronically and will not unjustifiably discriminate among those products and services.
- Seek to ensure that Bahrain does not apply customs duties on digital products that are delivered electronically.
- Seek to ensure that Bahrain determines the dutiable value of digital products contained in carrier media based on the value of the media, not their content.

- *Government Procurement:*

- Seek to establish rules requiring government procurement procedures and practices in Bahrain to be fair, transparent, and predictable for suppliers of U.S. goods and services who seek to do business with Bahrain.
- Seek to expand access for U.S. goods and services to Bahrain's government procurement market.

- *Transparency/Anti-Corruption/Regulatory Reform:*

- Seek to make Bahrain's administration of its trade regime more transparent, and pursue rules that will permit timely and meaningful public comment before Bahrain adopts trade-related regulations and other measures.
- Seek to ensure that Bahrain applies high standards prohibiting corrupt practices affecting international trade and investment and enforces such prohibitions.

- *Trade Remedies:*
 - Provide an appropriate bilateral safeguard mechanism, if necessary.
 - Make no changes in U.S. antidumping and countervailing duty laws.
- *Environment:*
 - Seek to promote trade and environment policies that are mutually supportive.
 - Seek an appropriate commitment by Bahrain to the effective enforcement of its environmental laws.
 - Establish that Bahrain will strive to ensure that it will not, as an encouragement for trade or investment, weaken or reduce the protections provided for in its environmental laws.
 - Help Bahrain strengthen its capacity to protect the environment through the promotion of sustainable development, such as by establishing consultative mechanisms.
- *Labor, including Child Labor:*
 - Seek an appropriate commitment by Bahrain to the effective enforcement of its labor laws.
 - Establish that Bahrain will strive to ensure that it will not, as an encouragement for trade or investment, weaken or reduce the protections provided for in its labor laws.
 - Establish procedures for consultations and cooperative activities with Bahrain to strengthen its capacity to promote respect for core labor standards, including compliance with ILO Convention 182 on the worst forms of child labor.
- *State-to-State Dispute Settlement:*
 - Encourage the early identification and settlement of disputes through consultation.
 - Seek to establish fair, transparent, timely, and effective procedures to settle disputes arising under the agreement.

In addition, the FTA will incorporate other U.S. objectives such as the protection of legitimate health, safety, environment, essential security, and consumer interests.

The Administration is committed to concluding these negotiations with timely and substantive results for U.S. workers, farmers, ranchers, businesses, and families. We look forward to continued close consultations with Congress as negotiations begin and to pursuing the specific, overall, and principal U.S. negotiating objectives set out in the Trade Act. Working together, we will achieve an FTA that benefits the United States and Bahrain—and advances America's broader goals.

Sincerely,

Robert B. Zoellick